

Sanctions Compliance Policy

GGL_Corporate Legal_20190415_4

Takes effect as of: 15.04.2019

Substitute guideline: GGL_ZSB Recht_12.01.2018

Coverage:

Group	X
Subgroup Germany	
PHOENIX	

Approved at: 05.04.2019

Sanctions Compliance Policy

GGL_Corporate Legal_20190415_4



Table of contents

I	General.....	4
II	Provisions.....	4
1.	What are Trade Sanctions?	4
1.1.	Overview	4
1.2	Sanctions Types.....	4
1.3	Consequences of Non-Compliance	5
2.	Legislation	5
2.1	Trade Sanctions within Europe	5
2.2	U.S. Trade Sanctions	6
2.3	Conflicting Trade Sanctions Laws	7
3.	Screening Obligations	7
4.	Internal Processes, Controls and Documentation.....	7
4.1	Current Business Partners	8
4.2	New Business Partners	8
4.3	The Risk of Business Partner being controlled by Restricted Party	9
4.4	Timing	9
4.5	Frequency	10
4.6	Regular Reporting.....	10
5.	Screening Process	10
5.1	IT-Solution	10
5.2	Hit Management Process.....	10
6.	Technical Requirements	11
7.	What PHOENIX expects of its Employees	12
8.	Specific Areas of Focus	13
8.1	Pharmacy Retail	13
8.2	Third Parties	13
8.3	M&A Transactions and Joint Ventures.....	13
8.4	New Business Initiatives	14
8.5	Manual payment orders	14
9.	Contact.....	15
	ANNEX I	16
	ANNEX II	18

Glossary

Board of Directors / Local Management Board	Top level management of the respective PHOENIX group entity, irrespective of the local organizational or legal denomination.
Business Partners	All customers, suppliers, agents, consultants and others directly engaged with PHOENIX group's business activities.
Compliance Organization Handbook	The Compliance Organization Handbook is issued by Corporate Compliance and distributed to all LCM. It comprises all standards, processes, recommendations etc. regarding the realization of the Compliance Management System of the PHOENIX group.
Employee	An individual who is employed by the PHOENIX group.
Good Guy	Initial match of a Business Partner via Hit Management Process declared as trustworthy partner.
Local Compliance Committee (LCC)	Local compliance committee at the country or regional level, which oversees tasks related to monitoring, inspection, decision-making, and escalation. (See Compliance Principles for more details)
Local Compliance Manager (LCM)	The individual who is responsible for the implementation of the CMS – following the specifications from Corporate Compliance – in their respective company/companies and who is available as a local point of contact for all matters relating to compliance. One LCM has been designated for each unit within the PHOENIX group. (See Compliance Principles for more details)
PHOENIX group (or just "PHOENIX")	Comprises all companies in which a majority of the shares are held by PHOENIX Pharma SE or one of its subsidiaries, or which are directly or indirectly controlled by the holding company or its subsidiaries.
Restricted Parties	Any person, company or organization, in particular countries, non-state entities, groups or individuals (such as terrorist groups and terrorists) that are subject to trade sanctions.
Third Parties	Business partners and any person, company or organization other than PHOENIX group entities or Employees.
Zero Tolerance	PHOENIX group does not tolerate any violations of this policy. Any suspicions of non-compliance with this policy will be investigated and the appropriate measures are taken, if applicable.

I General

The aim of this policy (together with any similar regulations and Standard Operating Procedures) is to protect any Phoenix entity from becoming involved in business activities with a third party who may be subject to trade sanctions.

[See Compliance Principles and Point 9](#)

The provisions of the Compliance Principles apply to this policy without any restrictions and shall be applied throughout. In case of questions regarding Sanctions Compliance or any other questions concerning this policy please contact your LCM or Corporate Compliance.

The aim of this policy is to inform PHOENIX group's Employees and stakeholders of the key principles of trade sanctions law (particularly in the European Union (EU) and the United States (U.S.) and to set out regulations of how to comply with these legal requirements fully. This includes the screening obligations under trade sanctions laws as well as a description of the internal organization and processes in relation to trade sanctions, and the consequences of non-compliance with this policy.

II Provisions

1. What are Trade Sanctions?

1.1. Overview

National states like Germany, United Kingdom or France and supranational organizations like the United Nations or the EU impose sanctions or other restrictive measures against countries, organizations, groups, non-state entities and individuals such as terrorist groups and terrorists (also referred to as "Restricted Parties").

These Restricted Parties infringe internationally accepted behavior and norms, especially those who have been identified as being involved in weapons proliferation, as terrorists or supporters of terrorist organizations, as violators of human rights, or involved in corruption and bribery. Such measures are more commonly known as trade sanctions or embargoes.

1.2 Sanctions Types

[Definition](#)

Trade sanctions take the form of comprehensive embargoes (total embargoes), partial embargoes, such as arms, trade or financial embargoes, or embargoes targeted against specific individuals, entities, groups and organizations contained in lists (list-based sanctions). Financial embargoes usually prohibit placing assets of any kind at the disposal of sanctioned parties or providing them with financial services of any kind.

Principles and Rules

1.3 Consequences of Non-Compliance

Non-compliance with trade sanctions laws can expose the PHOENIX group as well as individual managers and Employees to civil, regulatory and criminal penalties, including substantial monetary fines and, in the case of individuals, prison sentences.

The consequences of non-compliance are determined by national law and, thus, may vary from jurisdiction to jurisdiction.

Non-compliance also poses a substantial reputational risk for the company and could jeopardize important business relationships with companies in other countries which have very high ethical and security standards.

The consequences of misconduct set out in the Compliance Principles section 4 remain unaffected and apply irrespective of potential legal consequences.

Non-Compliance in the sanctions regulation context comprises intended an unintended provision, transfer and placement of assets of any kind at the disposal of any sanctioned organization and persons or providing them with financial services of any kind.

See Compliance Principles Definition

2. Legislation

2.1 Trade Sanctions within Europe

Principles and Rules

PHOENIX screens its Business Partners against selected Sanctions lists issued by the EU or single member states as well as Sanctions lists from UK and Switzerland.

EU trade sanctions apply

- a) within the territory of the member states of the EU;
- b) to any person inside or outside the territory of the EU who is a national of a member state;
- c) to any legal person, entity or body which is incorporated or constituted under the law of an EU member state whether acting inside or outside of the EU; and
- d) to any legal person, entity or body in respect of any business done in whole or in part within the EU.

PHOENIX group's commitments under foreign trade law mainly (but not exclusively) derive from Council Regulation (EC) No 2580/2001 of December 27, 2001. The regulation is directed against certain persons and entities for the purpose of combating terrorism. It aims to prevent and ban the financing of terrorist acts by prohibiting that funds, other financial assets and economic resources are made available, directly or indirectly, to, or for the benefit of, a natural or legal person, group or entity included in the list of Restricted Parties, or by prohibiting financial or other related services from being rendered for the benefit of Restricted Parties.

In addition to the embargoes against certain persons and entities, there are also a number of embargoes against several countries, such as e. g. Iraq, Libya and Russia. The embargoes limit the freedom of foreign trade with the embargoed countries. They also prohibit funds, other financial assets and economic resources that are made available, directly or indirectly, to, or for the benefit of, a natural or legal person, group or entity included in the list of Restricted Parties of that embargoed country, or by prohibiting financial or other related services from being rendered for the benefit of Restricted Parties of that embargoed country.

The given examples only reflect the current legal situation which is, however, subject to changes as sanctions lists are updated on a regular basis.

Definition

Trade Sanctions within Europe are imposed by an entitled authority of the European Union such as i.e. the European Council, any other national entitled authority within the EU, any other national entitled authorities of continental Europe and any entitled authority of UK.

More detailed information regarding the Sanctions lists PHOENIX screens against its Business Partners can be found in Appendix 1 to this policy.

Principles and Rules

2.2 U.S. Trade Sanctions

PHOENIX screens its Business Partners against selected Sanctions lists issued by the governmental authorities of the United States of America.

U.S. trade sanctions apply primarily to U.S. persons. The term "U.S. person" includes:

- a) All companies and other legal entities organized under U.S. law, including branch offices located within or outside the U.S. In specific cases also non-US-entities owned or controlled by U.S. individuals or U.S. companies (regardless of location) are included;
- b) U.S.-based branches and subsidiaries of non-U.S. companies;
- c) Individuals who are U.S. citizens or permanent residents ("green-card" holders) regardless of their place of domicile or work; and
- d) Any individuals being physically present in the U.S.

Even if entities of the PHOENIX group are not considered as a "U.S. person" as defined above, U.S. sanctions may apply if an entity or individual acts or causes activity within the U.S. (even from outside of the U.S. – so called "doctrine of effects"). Furthermore, non-U.S. persons and entities that cause a U.S. person to violate U.S. sanctions also violate the U.S. sanctions and risk civil and criminal penalties under applicable U.S. law (e.g. in the case of a non-U.S. person involving a U.S. bank in payment transactions with Restricted Parties).

The obligation to screen U.S. sanctions lists may also be derived from contracts with suppliers, credit facilities or loan agreements that require the contracting PHOENIX group entity to comply with U.S. sanctions or to screen against U.S. sanctions lists.

The E.U. and the U.S. are not the only countries to have established trade sanctions using different types of sanctions lists. There are also other sanctions lists for different purposes (i.e. especially for export laws) and different countries. The PHOENIX group does only screen against selective sanctions laws (see ANNEX I).

Definition

U.S. Trade Sanctions are imposed by an entitled national authority of the United States of America such as i.e. the Office of Foreign Assets Control (OFAC).

More detailed information regarding the Sanctions lists PHOENIX screens against its Business Partners can be found in Appendix 1 to this policy.

Principles and Rules

2.3 Conflicting Trade Sanctions Laws

In case of a conflict between different applicable sanctions laws, please immediately contact the Corporate Compliance (see Compliance Principles section 11) or the LCM for advice and support before taking any business decision.

Such conflict may arise, for example, if the embargo laws of one country prohibit certain trade or transactions with Restricted Parties whereas blocking statutes or anti-boycott laws of another country require PHOENIX group not to comply with such rules.

Principles and Rules

3. Screening Obligations

To ensure compliance with the requirements under sanctions laws as set out in section 2, the PHOENIX group screens its Business Partners against applicable sanctions lists.

For that purpose, the PHOENIX group has established internal processes and controls which are set out in sections 4 et seqq. in detail. The leading principle for all PHOENIX group entities is:

If a business partner is in fact included in a sanctions list, PHOENIX group shall terminate the relationship with the Business Partner immediately. In case of uncertainties in respect of the actual identity and screening accuracy of identified Business Partners, please proceed like described in section 5.2.

4. Internal Processes, Controls and Documentation

The PHOENIX group has implemented an IT-based screening solution with the following processes and controls (see section 4.1–4.6) in order to prevent the company from conducting business with any Restricted Party.

Principles and Rules

4.1 Current Business Partners

As a general rule, all Business Partners need to be checked against the relevant sanctions lists as set out in ANNEX I.

Furthermore, the following points apply:

- a) Any potential match will be carefully investigated (see section 5). If necessary, further information will be obtained from the Business Partner and / or a competent authority.
- b) The LCM prepares and keeps a record of any potential match, the outcome of the investigation, supporting documentation as well as the refusal, suspension and termination of the business relationship.
- c) If the Business Partner is a Restricted Party, all subsequent business with the Business Partner shall be prohibited and the relationship with the Business Partner shall be terminated in accordance with the requirements of the applicable trade sanctions law and other applicable local law.

Definition

A current Business Partner is a party which is an already existent debtor or vendor in an ERP or CRM system of an entity of PHOENIX.

4.2 New Business Partners

Principles and Rules

As a general rule, all new Business Partners will be checked against the relevant lists of Restricted Parties.

Furthermore, the following points apply:

- a) Any potential match will be carefully investigated. If necessary, further information will be obtained from the new Business Partner and / or a competent authority. The relationship with the new Business Partner shall not be taken up or executed until final confirmation has been received that the new Business Partner is not a Restricted Party.
- b) If the new Business Partner is a Restricted Party, all business with the Business Partner shall be prohibited.
- c) The LCM prepares and keeps a record of the match, the outcome of the investigation, supporting documentation as well as the refusal, suspension and termination of the business relationship.

Definition

A new Business Partner is a party with whom PHOENIX does not have a prior business relationship and no master data in either ERP or CRM systems of a PHOENIX entity exists.

Principles and Rules

4.3 The Risk of Business Partner being controlled by Restricted Party

Besides defined exceptions regulated by law, trade sanctions do not only prohibit business with Restricted Parties that are listed in the relevant sanctions lists, but also prohibit making funds or economic resources indirectly available to or for the benefit of the Restricted Parties.

For example, a Restricted Party would indirectly benefit from a payment if the payment was made to a legal entity which is owned or controlled by such Restricted Party. Thus, the prohibitions and restrictions on dealings with Restricted Parties apply to a legal person, group or entity that is controlled or owned by this Restricted Party, regardless of whether the legal person, group or entity itself is listed.

In these cases, in addition to checking the Business Partner against the lists of Restricted Parties, it must be checked whether the business relationship is indirectly beneficial to a Restricted Party. The thoroughness of the background check for each Business Partner depends on a corresponding individual risk assessment, including criteria such as the organizational structure and country of origin of the Business Partner. The LCM shall identify those Business Partners for which indirect beneficiaries must be identified and screened. Any case of unclear background of a Business Partner shall be escalated to the Local Management Board.

The LCM prepares and keeps a record of the outcome of the background check, underlying supporting documentation as well as the refusal, suspension and termination of the business relationship.

Definition

Under EU law, "owning" means being in possession of 50 % or more of the proprietary rights of the legal person, group or entity, or having a majority interest therein.

Principles and Rules

4.4 Timing

The screening must be completed, at the latest, before making any payment or before handing over the goods and products to the Business Partner.

If an independent shipper is instructed to deliver the goods and products to the Business Partner, the screening must be conducted before handing over the goods and products to the shipper.

The timing is essential to ensure that no goods and financial benefits will be made available to a Restricted Party as requested under trade sanctions law.

However, generally, the screening does not necessarily need to be completed before starting contract negotiations or before entering into a contract. An automatically performed screening of all Business Partners enrolled in PHOENIX group's systems is performed twice a day in order to ensure the right timing of checks.

Manual checks on Business Partners (e. g. to clarify if a business relationship is possible) may be performed using the IT-solution at any time.

Principles and Rules

4.5 Frequency

The prohibition on making funds available funds, other financial benefits and / or economic resources to Restricted Parties applies without exception.

This means that Restricted Parties shall not receive such benefits at any time. As a consequence, after each list update, PHOENIX group will immediately automatically screen its Business Partners against the updated lists.

Principles and Rules

4.6 Regular Reporting

In all cases, the LCM is obliged to prepare and keep a record of the outcome of the Hit Management Process as well as the refusal, suspension or termination of the business relationship.

Furthermore, the LCM presents periodically the results of the Hit Management (e.g. getting an outcome decision for an unclear hit) to the LCC. The exact reporting requirements shall be determined by the LCC. The total amount of hits, the (investigated) 100 % hits as well as all investigations which resulted in an actual business relevant measure should be included.

5. Screening Process

5.1 IT-Solution

PHOENIX group has introduced an IT-based solution to fulfil the screening obligations automatically. All of PHOENIX group's relevant Business Partners' key data is stored in various ERP and CRM systems. The relevant data (such as name, surname, and address) is automatically exported and matched with the sanctions lists on a cloud server solution offered and serviced by an external service provider.

These checks are performed twice a day. The external service provider is responsible for the actuality of sanctions lists on daily basis and automatically performs regular checks of the Good Guys against the updated sanctions lists.

Definition

If during the matching procedure a Business Partner is marked as a potentially Restricted Party, this is defined as a hit. This IT-solution simultaneously generates an alert message including all recorded hits, which is submitted to the respective LCM and Corporate Compliance teams.

Principles and Rules

5.2 Hit Management Process

All potential hits are investigated properly by the LCM. The investigation may result in different outcomes (see below).

Due to various characteristics (such as similarities in names, ages, etc.), Business Partners might be marked as potentially Restricted Parties and hence enter the hit management process even if they are not the actual party registered in the sanctions lists (“False Positives”).

The LCM manages these hits by clarifying the identity of the Business Partner. This can be done, e.g., by performing background checks, by enquiries to authorities as well as by interviews with departments who conduct business with the potentially Restricted Party (such as procurement or sales).

The hit management process may result in three outcomes:

1. The Business Partner is in fact not the person or legal entity included in the sanctions lists:
The LCM defines the Business Partner as a safe Business Partner by defining him as a Good Guy with a reasoned justification.
2. The Business Partner is in fact the person or legal entity included in the sanctions lists:
The LCM takes all measures to immediately terminate the relationship with this Business Partner by the responsible Management of the corresponding PHOENIX entity / unit and informs the LCC about the outcome.
3. It remains unclear, if the Business Partner is in fact the person or legal entity included in the sanctions lists:
The LCM escalates this issue to the LCC, which subsequently takes a decision on whether to terminate or to continue the relationship with the Business Partner. In case of sustained doubt, the LCC should take all measures to terminate the relationship with this Business Partner.

If the LCC decides to continue the relationship with the Business Partner, a full and comprehensive documentation shall be provided by the LCC to the Group Compliance Manager, who will present the findings to the GCC. The GCC may propose that the CEO of the PHOENIX group revises the LCC decision to continue the relationship with the Business Partner.

In case of uncertainty about the process, the LCM may consult the Corporate Compliance team at any time.

[See
Compliance
Organization
Handbook](#)

Further details regarding the hit management process are specified in the Compliance Organization Handbook.

6. Technical Requirements

Maintaining and updating the pre-wholesale, wholesale and retail business-to-customer master data in the local ERP systems is a mandatory requirement for all PHOENIX group entities and within the responsibility of the corresponding local accounting department. Where the accounting function is (partially) outsourced to an external service provider the Local Management Board is obliged to grant fulfillment of the requirement mentioned above.

When creating new Business Partners or updating the master data structure, it is extremely important to ensure that the modifications do not jeopardize the master data filtering setup, which excludes the data forbidden to be transferred to AEB server. Such is all Employee and business-to-customer master data.

In case of any modifications and / or additions are required to number ranges, account groups or industry keys, the local IT support has to be contacted before taking any concrete actions.

[See IT regulations](#)

For further details, the internal provisions of the Corporate IT shall be used.

Once a year, a comprehensive check of all extracted master data and filter settings is performed in all entities. This process is started and supervised by the Corporate Compliance team.

7. What PHOENIX expects of its Employees

[See Compliance Principles](#)

Besides the regulations of the Compliance Principles, every Employee is personally responsible for complying with the applicable provisions of trade sanctions laws and this policy. As a general rule, all Employees have to comply with trade sanctions laws, in particular:

- a) Refrain from funding or making available financial assets or economic resources for the benefit of Restricted Parties; and
- b) Refrain from providing financial or other related services for the benefit of Restricted Parties.

The PHOENIX group expects that all Employees will:

- a) Comply with the provisions of applicable laws and this policy at all times; this includes off-duty contacts insofar as the PHOENIX group's interests are affected or Employees are perceived by Third Parties to represent the PHOENIX group;
- b) Raise any concerns as soon as possible with their respective direct manager, LCM or Corporate Compliance if he/she believes or suspects that an infringement has occurred or may occur in the future;
- c) Respect the PHOENIX group's customers, suppliers and all other parties with whom he/she interacts to achieve the group's objectives by conducting business with integrity and in a lawful and professional manner;

Attend any training sessions or other events designed to communicate this policy.

8. Specific Areas of Focus

8.1 Pharmacy Retail

Principles and Rules

The PHOENIX group has a widespread presence in the area of pharmacy retail. Public pharmacies are an essential part of public healthcare. They supply drugs and medical products to the population and give advice to patients on issues concerning pharmaceuticals and health in general.

PHOENIX group's screening obligations under trade sanctions laws do not apply to pharmacy retail customers as long as the goods and products sold are customary and determined for personal use only.

In this context, it does not make a difference whether the customers' identity is known (e.g. when disposing prescription drugs) or not known.

8.2 Third Parties

Principles and Rules

Conduct of Third Parties that do not comply with trade sanctions laws can have reputational implications for PHOENIX group entities even without their involvement.

Accordingly, the PHOENIX group aims to ensure that all Third Parties with whom a business relationship exists, share the integrity standards of PHOENIX group. Therefore, each Employee shall immediately inform his or her LCM when becoming aware of actual or potential infringements of trade sanctions laws by Third Parties.

8.3 M&A Transactions and Joint Ventures

Principles and Rules

The PHOENIX group is constantly engaged in M&A transactions.

Before entering into any M&A transaction, the respective Third Party and its ultimate beneficial owner¹ (following the chain of ownership greater 50%) shall be checked against the sanctions lists set out in ANNEX I and in line with the process defined in ANNEX II of this policy. Future landlords shall be checked accordingly (see ANNEX II) only on the highest level.

For the Sanctions checks, the LCM is responsible for local M&A transactions; the Group Compliance Manager is responsible for M&A transactions on group level. M&A Sanctions checks are subject to strict confidentiality.

¹ Not valid for transactions with states or municipalities, charities/foundations, private equities as well as beyond major corporation level.

A Sanctions check before signing is a mandatory approval requirement (see M&A guideline) and part of the M&A acquisition proposal.

Furthermore, the subject of sanctions compliance shall be integrated in the post-merger integration process when setting up compliance structures and processes within the entity.

Definition

The term M&A transaction is defined in the M&A guideline.

A Joint Venture refers to a joint operation of a company together with one or more Third Parties.

References

- M&A guideline
- ANNEX II

8.4 New Business Initiatives

Principles and Rules

The PHOENIX group mainly operates in the EU member states and, additionally, in other European countries. None of these countries are embargoed under current trade sanctions laws. The PHOENIX group will continuously monitor the applicable laws and duly examine whether a country is affected by trade sanctions. This applies in particular before commencing new business initiatives in or with other as the aforementioned countries outside the EU.

8.5 Manual payment orders

Principles and Rules

In cases where payment orders do not directly stem from an ERP or CRM system (manual payment order) and where possibly no screening process is applicable or executed according to section 5, the principal of the payment order is responsible.

The responsible Employee must ensure the execution of the screening process according to section 5 before instructing the payment order.

9. Contact

There are different ways for Employees to address misconducts.

In case of any question regarding this or any other Compliance policies please contact your LCM or the Corporate Compliance team.

The Corporate Compliance team can be contacted via the following communication channels:

Via E-Mail: compliance@phoenixgroup.eu

Telephone: +49 621 8505 – 8519

(Anonymously) via the case reporting system: <https://phoenixgroup.integrityplatform.org/>

Via Post:

PHOENIX Pharma SE

Corporate Compliance

Pfingstweidstraße 10-12

68199 Mannheim

Deutschland

ANNEX I

List of screened sanctions lists:

- **BOE** (Consolidated List of Financial Sanctions Targets in the UK): Database of all persons, groups, and entities listed in the EU subject to financial sanctions by the UN, EU, and UK. Aside from the financial sanctions issued by UK authorities, this list is the same as the CFSP list.
- **CFSP** (Consolidated list of persons, groups & entities subject to EU financial sanctions): Consolidated list of all persons, groups, and entities subject to EU financial sanctions. The CFSP list is the official EU database. The CFSP list contains all the persons, groups, and entities in the lists of names and anti-terrorism regulations at the European level (2580/2001, 881/2002, and 753/2011) and in the embargoes at the national level.
- **CSL** (OFAC) (Consolidated United Nations Security Council Sanctions List): With the Consolidated Sanctions List, the OFAC provides a consolidated list of all persons and entities of its non-SDN sanctions programs. All new non-SDN sanctions programs will be added to this consolidated list in the future. The Consolidated Sanctions List is not part of the Specially Designated Nationals and Blocked Persons List (SDN) of the OFAC. Nevertheless, it is possible that individual entries are also included in the SDN list.

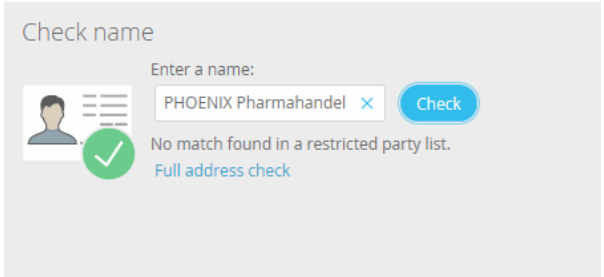
The OFAC Consolidated Sanctions List includes the following sanctions lists, for example:

- Foreign Sanctions Evaders (FSE) List
- Sectoral Sanctions Identification (SSI) List
- Palestinian Legislative Council (NS-PLC) List
- The List of Foreign Financial Institutions Subject to Part 561 (the Part 561 List)
- Non-SDN Iranian Sanctions Act (NS-ISA) List
- List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions (CAPTA List)
- **DPL** (Denied Persons List): The Denied Persons List contains the names of those who have violated US export regulations and against whom the Bureau of Industry and Security has therefore issued a denial order. The listed persons have been denied all exporting privileges, meaning that no US goods can be provided to or purchased from them. Businesses that violate such a denial order are in violation of US export regulations and risk being listed on the DPL themselves.
- **EL** (Entity List): The Entity List lists persons and entities implicated by American authorities as posing a significant threat in the proliferation of weapons of mass destruction or missile technology.

- **FRNL** The French restricted party list consolidates all persons, groups, and entities subject to the EU financial sanctions, all individuals and entities subject to sanction measures imposed by the UN Security Council, and all persons and entities subject to sanction measures imposed by the French authorities (Dispositif National de Gel).
- **NLNST** (Nationale sanctielijst terrorisme) The Dutch restricted party list complements the EU financial sanctions and lists persons and organizations associated with terrorist activities. Under Sanctions Regulation No. DJZ / BR / 1222-07, all assets of the listed persons and organizations are frozen.
- **SDN** (Specially Designated Nationals & Blocked Persons List): The SDN list contains the names of all persons, groups, and entities worldwide implicated by American authorities as involved in terrorist activities threatening US security.²
- **SECO** (Sanctions of the Swiss Federal Council): This list contains persons and entities against which the United Nations, the Organization for Security and Cooperation in Europe, or the authorities of key Swiss trading partners have decided to impose sanctions.
- **UL** (Unverified List): The Unverified List has the character of an early-warning list. It contains the names of all persons for which US authorities cannot verify sufficiently and have therefore been flagged as potentially unauthorized to purchase goods of US origin.
- **UN** (United Nations): The list of the United Nations is a consolidated list of all persons, groups and entities subject to UN Security Council sanctions. The consolidation is to facilitate the implementation of the measures introduced by the United Nations.

² For an overview of all sanctions programs and their impact, refer to the OFAC website: <https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

ANNEX II


Sanctions Compliance Screening before M&A transactions	
<p>Sanctions Compliance screenings before an M&A transaction are subject to strict confidentiality. Any kind of information – in regard to a planned M&A transaction – must not be disclosed or shared at any time internally or externally.</p>	
<p>Locally managed M&A transactions The following tasks and checks have to be performed by the LCM</p>	
Step	Task
1.	For Sanctions checking, the acquisition proposal is the decisive document. The target, ownership (structure), ultimate beneficial owner (UBO) etc. needs to be included in that document.
2.	<p>Performing Sanctions Checks³: <u>Mandatory Sanctions checks</u> of the to be acquired target:</p> <ul style="list-style-type: none"> ▪ Target itself ▪ Ownership chain until the UBO of the target (applying 50% rule): <ul style="list-style-type: none"> – A company is sanctioned by extension if owned by a sanctioned company or individual through a chain of ownership of 50% or more – Checks of M&A transactions with states or municipalities, charities/foundations, private equities as well as beyond major corporation level do not have to be performed ▪ Landlords of to be acquired companies (e.g. of pharmacies) on “highest level” (<u>not</u> checking complete chain of ownership)
3.	<p>Documentation: <u>Screenshots</u> of the performed Sanctions checks need to be added to the acquisition proposal as proof that the target, the ownership chain and the landlord(s) are not sanctioned. E.g.:</p>  <p>In case a party causes a Hit, the Hit Management Process (see point 5.2 of this policy) is to be applied.</p>

³ How manual Sanctions checks are performed in the Sanctions system is described in the Compliance Organization Handbook.

In case the to be acquired party (or a party within the ownership structure or landlord) causes a Hit but **is not** the person or legal entity included in the sanctions lists (paragraph 1 of point 5.2), a screenshot as well as a justification needs to be added to the acquisition proposal.

E.g.:

Address to be checked



Name

Street

Postal code/city


Country

Reference

[Check settings](#)

[Check](#)

Check result



Matches have been found on restricted party lists.

[New address](#) [Edit address](#) [Print](#)

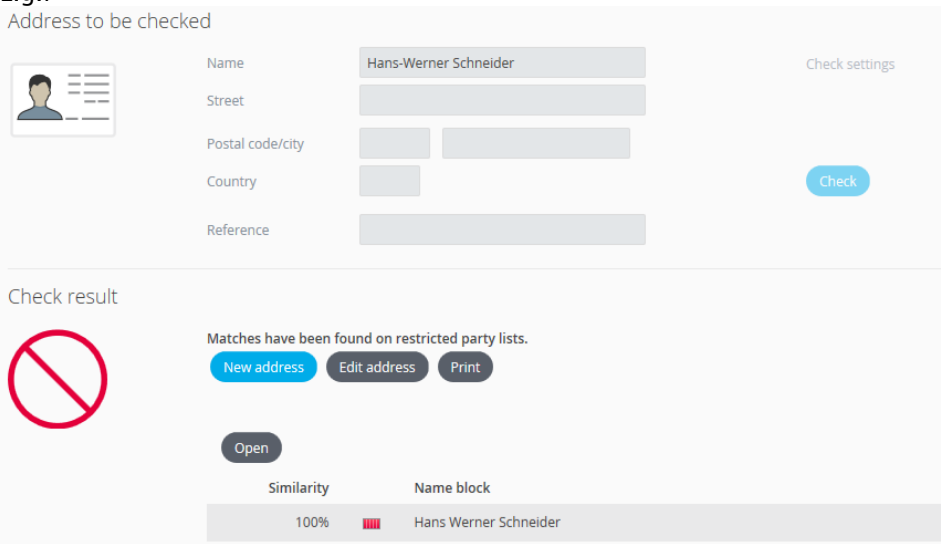
[Open](#)

Similarity	Name block
94%	Schneider GMBH
94%	Schneider GMBH
94%	Schneider GMBH
81%	Simon SCHNEIDER
81%	Christof Schneider

*“To be acquired company is “Schneider AG” in Mannheim. On the Sanctions lists there are several entries of “Schneider GmbH” and the persons “Simon Schneider” and “Christof Schneider”. Corporate form, address [as well as names] are not the same and do not match the to be acquired company”.
Party is not sanctioned!*

Furthermore, the “Hit” needs to be declared as “Good Guy” in the Sanctions system.

In case the to be acquired party (or a party within the ownership structure or landlord) **is in fact** the restricted person or entity (paragraph 2 of point 5.2), a screenshot + comment of the performed Sanctions checks needs to be added to the acquisition proposal as proof that the target, the ownership chain and/or the landlord **is sanctioned**.

	<p>E.g.: Address to be checked</p>  <p><i>"Target/Party or Person in the ownership chain or landlord is sanctioned!"</i></p> <p>In case it is unclear (paragraph 3 of point 5.2) whether the to be acquired party (or a party within the ownership structure or landlord) is in fact the restricted person or entity, an <u>immediate</u> escalation to the LCC is necessary due to time constraints.</p> <p>Corporate Compliance and Corporate M&A should be contacted in the cases 2 and 3 (actual and unclear Hits) of the Hit Management Process immediately.</p> <p>Besides, Corporate Compliance can always be contacted in case of uncertainties, doubts, problems etc.</p>
<p>Centrally managed M&A transactions The following tasks and checks have to be performed by the Group Compliance Manager</p>	
<p>Step</p>	<p>Task</p>
<p>1.</p>	<p>For Sanctions checking, the acquisition proposal or another appropriate way of written documentation (mail etc.) can be the decisive document. The target, ownership (structure), ultimate beneficial owner (UBO) etc. needs to be included in that document.</p>
<p>2. and 3.</p>	<p>Steps 2 and 3 are performed analogously to the locally managed M&A transactions.</p>